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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

June 22, 2022

Marc Rowan
Chief Executive Officer
Apollo Global Management, Inc.
9 West 57th Street, 43rd Floor
New York, NY 10019

Dear Mr. Rowan,

I write seeking information regarding a business arrangement between Leon Black and Jeffrey Epstein. A report commissioned by the Conflicts Committee of Apollo Global Management (“Apollo”) stated Epstein was paid \$158 million by Black between 2012 and 2019 for services related to a variety of tax and estate planning matters, an amount that appeared to exceed that paid by Black to his other professional advisors. This compensation scheme, which ranged between \$23 million and \$26 million for a number of years appears to have far exceeded the median CEO pay for Fortune 500 CEOs, which Fortune calculated at \$13.9 million for 2021. This amount also appears well in excess of the expected compensation for estate planning services—particularly in a case where Epstein’s work was required to be vetted by other legal and accounting professionals, at times was viewed as not useful, and included instances of substantial misrepresentations of applicable tax laws.

¹ Apollo Global Management, Inc. *Investigation Of Epstein/Black Relationship And Any Relationship Between Epstein and Apollo Global Management*, available online at <https://www.sec.gov/Archives/edgar/data/1411494/000119312521016405/d118102dex991.htm>

² *The top 10 highest paid CEOs of the Fortune 500*, Fortune, May 28, 2022, <https://fortune.com/2022/05/28/paid-ceos-in-america-2021/>

³ Apollo Global Management, Inc. *Investigation Of Epstein/Black Relationship And Any Relationship Between Epstein and Apollo Global Management*, available online at <https://www.sec.gov/Archives/edgar/data/1411494/000119312521016405/d118102dex991.htm> at page 3, “Not all of Epstein’s advice was useful”; at page 4, “such advice was vetted consistently by Blacks’ other advisors, including Family Office employees, Paul Weiss, and other outside legal, accounting, and tax professionals”; at page 16, “[Epstein’s] ideas would appear plausible at face value, but did not hold up under scrutiny”; at page 17, “Black acted under the misconception that his payments to Epstein would be tax deductible (‘sixty cent dollars’) because of what Epstein had told Black.”)

As you are aware, Jeffrey Epstein was arrested and indicted in federal court on July 7, 2019 on sex trafficking charges involving the exploitation and abuse of dozens of underage girls.⁴ In the aftermath of these charges, Apollo hired law firm Dechert LLP to conduct an investigation into Epstein's ties to Black, Apollo's Chairman and Chief Executive Officer, at the time. Mr. Black for decades maintained longstanding personal and professional ties to Epstein and engaged Mr. Epstein for his advice related to tax strategy, estate planning and philanthropy.

The investigation, according to a filing published by Apollo with the Securities and Exchange Commission on January 22, 2021 ("the report"), identified several tax matters. According to the report, Epstein advised Black that Black paid Epstein \$158 million for his advice on tax strategy for complex transactions and trusts designed to avoid paying as much as \$1 billion in taxes. This includes advice related to a "proprietary" solution Epstein developed for Black to resolve issues with a trust Black created in 2006 in order to transfer assets to his beneficiaries while avoiding roughly \$1 billion in gift and estate taxes. According to the report, Epstein also advised Black on a "step-up-basis transaction" designed to save Black's children approximately \$600 million in taxes as well as other tax planning and compliance issues, including responding to audit inquiries from the Internal Revenue Service (IRS).

As Chairman of the Senate Finance Committee, which has oversight jurisdiction of matters pertaining to federal taxation, I seek more information related to the extraordinary compensation Black paid Epstein for a so-called "proprietary" tax avoidance solution Epstein developed for Black. Despite not being a certified public accountant or licensed tax attorney, it appears Epstein was paid an amount that far exceeded what Black paid other professional advisors, including some of the most high-priced legal counsel⁹ in light of Epstein's role in a sprawling human trafficking scheme, it is important to understand why Epstein's compensation arrangement was substantially different than that typically afforded to professional advisors involved in trust, estate and tax planning. Accordingly, please provide answers to the following questions no later than July 9, 2022:

1. Has Apollo retained all documents related to the memorandum titled "Investigation Of Epstein/Black Relationship And Any Relationship Between Epstein and Apollo Global Management, Inc." prepared by Dechert LLP for the Apollo Conflicts Committee? If not, what individual or entity currently has custody of those documents? Has Apollo

⁴ Jeffrey Epstein Charged In Manhattan Federal Court With Sex Trafficking Of Minors, U.S. Department of Justice, Jul. 8, 2019, <https://www.justice.gov/usao-sdny/pr/jeffrey-epstein-charged-manhattan-federal-court-sex-trafficking-minors>

⁵ Apollo Global Management, Inc. *Investigation Of Epstein/Black Relationship And Any Relationship Between Epstein and Apollo Global Management*, available online at <https://www.sec.gov/Archives/edgar/data/1411494/000119312521016405/d118102dex991.htm>

⁶ Id. at pg. 3: "As a result of Epstein's work, Black believed, and witnesses generally agreed, that Epstein provided advice that conferred more than \$1 billion and as much as \$2 billion or more in value to Black."

⁷ Id. at pg. 10: "Epstein approached Black with his solution - which Epstein asserted was proprietary - and Black agreed to pay Epstein to implement this solution. Outside legal counsel described the solution as a 'grand solution' that met all of Black's financial and estate planning goals."

⁸ Id.

⁹ Id. at pg. 17: "It is clear that the compensation paid by Black to Epstein far exceeded any amounts Black paid to his other professional advisors."

transferred control of these documents to Leon Black, his family office (Elysium Management, LLC) or any other individuals or entities operating on Mr. Black's behalf.

2. The report claims that "Many witnesses believed that Epstein had creative ideas that no other advisor had proposed." Please elaborate on how this conclusion was reached and describe in detail the "creative ideas" proposed by Epstein. Please also describe how solutions developed by Epstein related to tax matters differed from those offered by licensed tax attorneys, certified public accountants or other professional advisors employed by Black for his estate and family office.
3. The report claims that "As a result of Epstein's work, Black believed, and witnesses generally agreed, that Epstein provided advice that conferred more than \$1 billion, and as much as \$2 billion or more in value to Black." Please describe how this conclusion was reached, including a detailed description of any taxes avoided by Black or his heirs or beneficiaries that were included as part of this valuation. Please also provide any documents supporting the claim that Epstein provided value between \$1 - \$2 billion to Black, including as they relate to Mr. Black's taxes.
4. The report claims that "in 2013, payments (to Epstein) were memorialized in signed and unsigned agreements." Please provide copies of any compensation agreements signed between Mr. Black and Mr. Epstein. Please also describe any "unsigned agreements" between Mr. Black and Mr. Epstein where Mr. Epstein was compensated for work related to trust and estate planning, tax issues, issues relating to artwork, Black's airplane, Black's yacht, and other similar matters.
5. The report claims that Epstein and Black negotiated a "written service agreement" that was signed on February 13, 2013. Please provide a copy of this agreement, as well as all documents related to payments made by Black to Epstein as a result of this agreement. These documents should include any statements of work or descriptions of the services rendered by Epstein for Black related to payments made under the agreement.
6. The report claims that Black paid Epstein \$56.5 million in five installment payments in 2013 and 2014 as part of an agreement that was never signed. The agreement was apparently renegotiated and the total amount paid was apparently \$50 million. Please provide all documents related to payments made by Black to Epstein resulting from the unsigned agreement, including any statements of work or descriptions of the services rendered by Epstein as part of the agreement.
7. The report claims that starting in 2014, Black began to pay Epstein for his ongoing services on an *ad hoc* basis, without negotiating written service agreements. As part of this, Black paid Epstein \$70 million in 2014 and \$30 million in 2015. Please provide all documents related to payments made by Black to Epstein in 2014 and 2015, including any statements of work or descriptions of services rendered by Epstein related to his

on the step-up-basis transaction and estate, tax planning, tax audits and filings, or other advice provided by Epstein to Black.

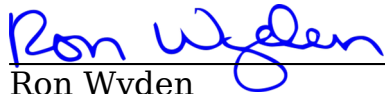
8. The report claims that “it is clear the compensation paid by Black to Epstein far exceeded any amounts Black paid to his other professional advisors.” Please explain how Dechert LLP made this assessment. Please also provide documents showing how Epstein’s compensation compared to other professional advisors, including attorneys providing tax, trust and estate planning services and certified public accountants who assisted Black with tax matters.
9. The report claims that “after 2013 payments were made by Mr. Black to Mr. Epstein on an *ad hoc* basis based on Black’s perceived value of Epstein’s work.” Please provide a detailed description of how Black decided compensation amounts for Epstein, including any documentation of trust and estate planning and tax consulting services rendered by Epstein for Black.
10. The report claims that from 2013 through 2017, Black was under the misconception that his payments to Epstein would be tax-deductible, based on advice from Epstein. Please describe whether Black claimed income tax deductions for Epstein’s compensation in any taxable year during this period, and why it was determined that such payments were nondeductible. Please also describe whether Black amended his tax returns after learning that the payments to Epstein were not tax-deductible. Please also include all substantiation documents with respect to any income tax deductions previously claimed by Black. Please also describe whether any payments from Black to Epstein were characterized as gifts for tax purposes, and please provide any documents, including tax returns, related to any reportable gifts made to Epstein.
11. The report claims that Epstein provided Black with a “proprietary” solution that was intended to resolve a “problem” with a Grantor Retained Annuity Trust established in 2006 (“2006 GRAT”) by Black in order to transfer assets to his beneficiaries without paying estate taxes. The report also indicates that the value of the estate tax liability if this issue had been resolved could have been \$1 billion or more. While GRATs are a tax avoidance technique that raise serious public policy concerns, they are routinely used by estate planners and have been upheld by federal courts and IRS guidance. Please describe the solution to this 2006 GRAT issue proposed by Jeffrey Epstein and the work done by Epstein for the family office to resolve the matter. Please also provide all documents obtained by Dechert LLP as part of its investigation in relation to Epstein’s work related to the 2006 GRAT.
12. The report claims that Epstein provided “significant value” related to a transaction that addressed certain loans between Black and certain family trusts for the purpose of achieving a potential tax benefit for Black’s children. It appears Epstein estimated that this transaction saved Black \$600 million in taxes. Please provide a detailed description of the role Epstein played in planning and executing this transaction, including the

Epstein provided Black related to the transaction. Please also provide a detailed description and documentation supporting the estimate of \$600 million in value of transaction for Mr. Black.

13. The report claims that Epstein provided “ongoing advice on a variety of issues to L. Black’s estate.” This included establishing additional GRATs and tax planning. Please provide a detailed description of the “tax planning” advice Epstein provided Black, including how they relate to the following matters:
- a. Addressing an IRS audit letter relating to the 2013 tax year;
 - b. Addressing an IRS audit letter regarding Black’s 2012 tax filings, including interfacing with the IRS to achieve a positive resolution; and
 - c. Planning and coordinating the submission of statements of reasonable cause for a series of tax years to address an apparent failure to file certain tax forms, including IRS Forms 8865, relating to Black’s interests in BRH Holdings L.P., a partnership through which Black and the other Apollo co-founders hold their ownership interests in Apollo and related foreign partnerships.

Thank you for your attention to this important matter.

Sincerely,



Ron Wyden
United States Senator
Chairman, Committee on
Finance